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AZ CORP COMMISSION
DOCKET CONTROL

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION
OF ICR WATER USERS ASSOCIATION, AN
ARIZONA CORPORATION, FOR A
DETERMINATION OF THE CURRENT
FAIR VALUE OF ITS UTILITY PLANT AND
PROPERTY AND FOR INCREASES IN ITS
RATES AND CHARGES FOR UTILITY
SERVICE

DOCKET NO: W-02824A-07-0388

NOTICE OF FILING

Talking Rock Golf Club, LLC ("TRGC") hereby submits this Notice of Filing
Testimony in the above-referenced matter. Specifically, filed herewith is the Testimony
of Craig L. Krumwiede as required by the Procedural Order dated April 3, 2008.

DATED this 14th day of April, 2008.

FENNEMORE CRAIG, P.C.

By

Jay L. Shapiro

Patrick J. Black

3003 North Central Avenue, Suite 2600

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Attorneys for Talking Rock Golf Club, LLC

ORIGINAL and thirteen (13) copies of the
foregoing were delivered
this 14th day of April, 2008, to:

Docket Control
Arizona Corporation Commission
1200 W. Washington St.
Phoenix, AZ 85007

Arizona Corporation Commission
DOCKETED

APR 14 2008

DOCKETED BY

nr

1 **COPY** of the foregoing hand delivered
2 this 14th day of April, 2008, to:

3 Marc E. Stern
4 Administrative Law Judge
5 Arizona Corporation Commission
6 1200 W. Washington Street
7 Phoenix, AZ 85007

8 Kevin Torrey
9 Legal Division
10 Arizona Corporation Commission
11 1200 W. Washington Street
12 Phoenix, AZ 85007

13 **COPY** of the foregoing mailed
14 this 14th day of April, 2008, to:

15 Robert M. Busch
16 ICR Water Users Association, Inc.
17 P.O. Box 5669
18 Chino Valley, AZ 86323

19 Robert J. Metli
20 Marcie A. Shuman
21 Snell & Wilmer, LLP
22 One Arizona Center
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24 Phoenix, AZ 85004-2202

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26 13868 North Grey Bears Trail
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By: Marcie A. Shuman

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7 **BEFORE THE ARIZONA CORPORATION COMMISSION**
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DOCKET NO: W-02824A-07-0388

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18 **TESTIMONY OF CRAIG L. KRUMWIEDE**
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1 **I. INTRODUCTION.**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. Craig L. Krumwiede, 17700 North Pacesetter Way, Scottsdale, AZ 85255.

4 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

5 A. I am employed by Harvard Investments, Inc. and am its President. Headquartered
6 in Scottsdale, Arizona, Harvard Investments is the United States investment and
7 development arm of the Hill Companies – one of the oldest land development
8 companies in Canada, operated as a privately held company since its inception in
9 1903. We currently have investment and development projects in Texas, Colorado
10 and Arizona. In my capacity as President, I am responsible for and oversee all
11 planning, acquisition, development and sale of Harvard Investments real estate
12 investments.

13 **Q. WHAT IS YOUR RELATIONSHIP TO THE INTERVENER?**

14 A. Harvard Investments is the manager of Harvard Talking Rock, LLC, which is the
15 operating member of Harvard Simon I, LLC. Harvard Simon I is the manager of
16 Talking Rock Land, LLC and Talking Rock Golf Club, LLC (“TRGC”), the
17 intervener. That brings up something we would ask the Commission to correct in
18 the record. The correct name of the golf course owner and the party intervening is
19 “Talking Rock Golf Club, LLC”, not “Talking Rock Golf Course, LLC” as
20 reflected in the motion filed April 3, 2008.

21 **Q. PLEASE SUMMARIZE YOUR WORK HISTORY?**

22 A. I have been employed by Harvard Investments for over 25 years, the last 15 as
23 President. Prior to working for Harvard Investments, I worked in the tax
24 department for Deloitte Haskins and Sells.

25 **Q. PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND.**

26 A. I graduated from ASU with a Bachelors Degree in Accounting and a Law Degree.

1 Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE ARIZONA
2 CORPORATION COMMISSION?

3 A. No.

4 II. PURPOSE OF TESTIMONY AND SUMMARY.

5 Q. WHY HAS TRGC NOW INTERVENED IN THIS PROCEEDING?

6 A. We had been aware of the rate case but did not feel compelled to intervene until we
7 learned that the Commission Staff modified its initial testimony and findings and
8 now recommends that the water company, ICR Water Users Association or ICR,
9 should not have a rate increase because TRGC should be treated as a "tariffed"
10 customer. We strongly disagree and felt compelled to intervene to protect our legal
11 and contractual rights. At the same time, we also wish to present the Commission
12 with evidence demonstrating that, not only is the Talking Rock development good
13 for the community, but also that under the existing agreements both Talking Rock
14 and TRGC have paid and will continue to pay their fair shares.

15 Q. HOW IS YOUR TESTIMONY ORGANIZED?

16 A. First, I provide an overview of the Talking Rock master-planned community and
17 golf club. Next, I discuss the parties' existing extension and well transfer
18 agreements. Then, I provide a response to the positions of Staff and Mr. Taylor
19 that impact TRGC. Finally, I will present TRGC's recommendations to the
20 Commission in this proceeding.

21 Q. MR. KRUMWIEDE, CAN YOU PLEASE SUMMARIZE TRGC'S
22 RECOMMENDATION TO THE COMMISSION?

23 A. Yes. We respectfully request that the Commission respect the parties' existing
24 rights and not approve the recommendations of Staff and Mr. Taylor to the extent
25 those recommendations abrogate TRGC's legal and contractual rights.

26

1 **III. OVERVIEW OF TALKING ROCK GOLF CLUB?**

2 **Q. ARE YOU FAMILIAR WITH THE OPERATION OF THE GOLF CLUB?**

3 A. Yes.

4 **Q. WHERE IS THE TALKING ROCK COMMUNITY AND GOLF CLUB**
5 **LOCATED?**

6 A. In the Talking Rock master planned community approximately 12 miles north of
7 Prescott, Arizona. The championship course is the centerpiece of the Talking Rock
8 community. It was designed by a top designer, Jay Moorish, who also co-designed
9 the course in Scottsdale on which the Phoenix Open is played. Every effort was
10 and is made to preserve the existing landscape and conform to the natural contours
11 of the land. The Talking Rock golf course is the first course in Arizona recognized
12 for being designed, built and maintained in compliance with the Environmental
13 Principles of Golf under the Talking Rock Integrated Golf Course Management
14 Plan, a plan that embraces the concepts for a sustainable future by adopting the
15 strategies outlined in "Golf & The Environment, Environmental Principles for Golf
16 Course in the United States".

17 **Q. PLEASE DESCRIBE THE TALKING ROCK COMMUNITY?**

18 A. The Talking Rock project is approximately 3150 acres, but it is planned for only
19 1598 homes. The Club has over 475 members and 130 families have built homes
20 to date. Another 17 homes are under construction. The lots at Talking Rock
21 surround and incorporate the golf course. In total, there is approximately 950 acres
22 of open space in the project, approximately 30% of the Talking Rock community.
23 With the exception of the turfed areas of the golf course, roughly 90 acres, these
24 areas use natural vegetation and do not require irrigation. Talking Rock received
25 the 2002 Heritage Preservation Award for the work we've done in preserving a
26 cultural resource at the project known as *The Inscription Canyon Petroglyph Site*.

1 Talking Rock deeded 4.2 acres containing over 1,200 petroglyphs back to the
2 Yavapai Prescott Indian Tribe.

3 The project as a whole has also had a positive economic impact on the larger
4 community. The golf club employs approximately 80 people. Since the
5 construction of homes in Talking Rock started, over \$72 million dollars have been
6 injected into the local economy. At full build out, an estimated \$800 million will
7 have been injected into the local economy. I believe Talking Rock is good for
8 Yavapai County and the State of Arizona.

9 **Q. WHEN IS FULL BUILD-OUT ANTICIPATED?**

10 A. Sales began in 2002, and to date we have sold approximately 570 lots and homes,
11 or approximately one-third of the project. We anticipate the project will sell out
12 over the next 10 to 20 years. We would anticipate that the homes will be built at an
13 accelerating rate as the project matures.

14 **Q. HOW IS THE GOLF COURSE IRRIGATED?**

15 A. Currently, primarily with groundwater from wells we own or in which we have
16 reserved rights. We also use all of the effluent made available to us by the local
17 sanitary district. The sanitary district treats effluent from 4 different projects;
18 Talking Rock, Inscription Canyon, Whispering Canyon and the Preserve. The four
19 projects total approximately 2500 lots and we are the primary means by which the
20 sewer utility disposes of its effluent. At full build-out, the 4 projects will generate
21 enough effluent to meet nearly all of the golf course's irrigation needs.

22 **Q. ARE THESE THE WELLS PROVIDING WATER TO ICR'S**
23 **CUSTOMERS?**

24 A. Yes, to ICR's domestic water use customers in Talking Rock. The well known as
25 Well No. 3 (DWR Well # 55-589660) was transferred to ICR pursuant to the Well
26 Agreement dated February 25, 2003. The well known as Well No. 2 (DWR Well #

1 55-589659) is owned by TRGC and is currently scheduled to be transferred to ICR
2 by the time the 800th lot at Talking Rock receives water service pursuant to the
3 Well Agreement and the First Amendment to Main Extension Agreement, both
4 dated February 25, 2003. The well known as Well No. 1 (DWR Well # 55-
5 584177) is currently owned by Talking Rock Land, LLC, an affiliate of TRGC.
6 All three of these wells were drilled and paid for by Talking Rock.

7 **Q. IS TRGC A CUSTOMER OF ICR?**

8 A. No. The relevant language from our agreement with ICR makes it clear that TRGC
9 does not purchase water utility service for irrigation from ICR. The language is as
10 follows:

11 5. Water Service. After Developer or Talking Rock Golf
12 transfers and conveys a Production Well to Utility under
13 paragraph 2 or paragraph 3, Utility will deliver water to the
14 Property from the transferred and conveyed Production Well
15 for the purpose of providing domestic water service to
16 customers within the Property for all purposes, including
17 common area landscape watering, but excluding (i) water
18 service to the Golf Course for landscape irrigation and lake
19 fill purposes at the Golf Course, until such time as Talking
20 Rock Golf requests water service to the Golf Course pursuant
21 to the Main Extension Agreement, and (ii) water service for
22 construction purposes. All deliveries by Utility from the
23 transferred and conveyed Production Well shall be subject to
24 the terms, conditions, covenants and restrictions of this
25 Agreement. This paragraph does not limit Utility's
26 obligations under paragraphs 14 and 15 to allow Developer to
use unused capacity in the transferred and conveyed
Production Well for golf course irrigation and for
construction purposes, as provided in those paragraphs.

21 So, in summary, under the well and extension agreements with ICR, we either own
22 the wells or have rights to the production from the wells that provide water for
23 irrigation of the golf course and pay both a wheeling fee and a pro rata share of the
24 pumping and other costs to ICR.

1 **Q. WHY DIDN'T YOU WAIT TO BUILD THE GOLF COURSE?**

2 A. The simple answer is that buyers don't buy in a project like this unless the golf
3 course is built (or at least under construction). In my 25 years of experience, I am
4 not aware of a golf project that was successfully sold without the golf course being
5 built.

6 **Q. WHAT IS TALKING ROCK DOING TO CONSERVE WATER?**

7 A. On the development side, we follow strict design standards. As I mentioned above,
8 a significant portion of the project is natural, open space. In the developed areas,
9 we have minimized the disturbance of the natural areas by requiring building
10 envelopes for each lot. Outside of the building envelopes, the lot is to remain
11 natural and no turf landscaping is allowed. Very limited turf, if any, is used inside
12 the building envelopes. These efforts to conserve water appear to be working--
13 Talking Rock residents use on the average 50% less water than users in the
14 surrounding Inscription Canyon, Whispering Canyon, and Preserve. See Staff
15 Engineering Report, Exhibit JWL, at page 4.

16 At the golf club, we are constantly striving to reduce our water usage. For
17 example, we are currently reconfiguring the course to reduce our overall turfed
18 areas by 10%. This is expected to reduce our annual water uses by approximately
19 10%. The areas where turf is eliminated will be re-vegetated with natural materials
20 that will not require irrigation when established. We are also using effluent to
21 irrigate the golf course.

22 **Q. WHY DON'T YOU JUST USE EFFLUENT TO IRRIGATE THE GOLF**
23 **COURSE?**

24 A. Because more effluent isn't currently available. The plan was, is, and will continue
25 to be to use as much effluent as possible to irrigate the golf course. As the Talking
26

1 Rock project and the other projects are built out, more effluent will be available
2 and groundwater use will decrease.

3 **IV. THE MAIN EXTENSION AND WELL TRANSFER AGREEMENTS.**

4 **Q. YOU MENTIONED AGREEMENTS WITH ICR. WOULD YOU PLEASE**
5 **IDENTIFY THE RELEVANT AGREEMENTS BETWEEN TRGC OR ITS**
6 **AFFILIATES AND ICR?**

7 A. There are several agreements between the parties:

8 *Main Extension Agreement, March 5, 2001 (later amended)*

9 *Water Purchase Agreement, April 27, 2001 (superseded by Well*
10 *Agreement)*

11 *First Amendment to Main Extension Agreement, February 25, 2003*

12 *Well Agreement, February 25, 2003 (later amended)*

13 *First Amendment to Well Agreement, October 23, 2003 (correction to name)*

14 *Second Amendment to Well Agreement, September 15, 2005*

15 I understand that the Main Extension Agreement is a fairly standard extension
16 agreement with Talking Rock constructing 100% of the plant, both on- and off-site,
17 needed for ICR to extend service to the Talking Rock community. The Well
18 Agreement replaced a wholesale purchase agreement after the Commission issued
19 Decision No. 64360 and wanted the wells to be transferred. The Well Agreement
20 provided for the immediate transfer of Well No. 3 and the transfer of Well No. 2
21 when service to the 800th lot in Talking Rock is established. The extension
22 agreement was amended the same date to reflect the transfer of the wells. Finally,
23 the second amendment to well agreement conferred some additional protection to
24 ICR regarding sufficiency of water to serve Talking Rock.¹

25 ¹ TRGC believes that the relevant agreements are on file at the Commission in one form or another and some already
26 appear to be in the record in this docket. While no copies of the mentioned agreements are attached to this filing,
TRGC will bring copies of all of the agreements to the hearing in this docket.

1 Q. WHO NEGOTIATED ALL THESE AGREEMENTS, MR. KRUMWIEDE?

2 A. Representatives of Talking Rock and representatives of ICR. Both parties were
3 represented at all times by legal counsel.

4 Q. WERE THESE AGREEMENTS SUBMITTED TO THE COMMISSION
5 FOR APPROVAL?

6 A. The Main Extension Agreement and the First Amendment to Main Extension
7 Agreement were submitted and approved. Busch Supplemental Rebuttal
8 Testimony at 4. The Well Agreement was docketed by ICR as a compliance item
9 on March 7, 2003, and I am not aware of any party voicing any objection until
10 recently during the latter stages of this rate case. *Id.*

11 Q. WHAT PLANT HAS BEEN OR WILL BE BUILT BY THE TALKING
12 ROCK DEVELOPER AND CONVEYED TO THE UTILITY UNDER THE
13 MAIN EXTENSION AGREEMENT?

14 A. Everything necessary for the water utility, ICR, to serve the Talking Rock
15 development. We've always accepted that growth needed to pay for itself. We
16 entered into a similar agreement with the sewer utility provider. In fact, Talking
17 Rock is currently in the process of working with the sanitary district to design and
18 build a new 250,000 gpd water reclamation facility. This state-of-the-art facility
19 which will produce A+ effluent water for the golf course. The plant will be
20 expandable to 1 mgd.

21 Q. YOU TESTIFIED THAT THE MAIN EXTENSION WAS "FAIRLY
22 STANDARD". IF THAT IS THE CASE, WHY ARE THE REFUNDS
23 HIGHER THAN 10% AND FOR LONGER THAN 10 YEARS?

24 A. I understand the Commission's rules provide for a "minimum" of 10% refunds for
25 10 years. In this case, we built more than just an on-sight distribution system; we
26 are responsible for designing, building and paying for the entire supply,

1 transmission, storage and distribution infrastructure needed for ICR to serve
2 Talking Rock. We felt, and ICR agreed, that something more than the "minimum"
3 was appropriate.

4 **Q. HAS ALL OF THE PLANT BEEN BUILT?**

5 A. No, not all, although a number of major components have been built. First, not all
6 of the plant needed to serve the Talking Rock community has been built because it
7 is not yet needed for service. This would include subdivision water distribution
8 lines in future phases, for example. Second, all of the transmission, treatment,
9 storage and distribution infrastructure being used today has been constructed by
10 Talking Rock and has either been conveyed or is in the process of being conveyed
11 to ICR. Third, the well known as Well No. 3 was drilled and equipped by Talking
12 Rock and conveyed to ICR in 2003. Transfer of a second well, known as Well No.
13 2, is currently pending until the extension of service to the 800th lot in Talking
14 Rock pursuant to the Well Agreement.

15 **Q. WHAT ABOUT THE WELL KNOWN AS WELL NO. 1?**

16 A. There has never been any agreement by TRGC or any of its affiliates to transfer the
17 well known as Well No. 1 to ICR, and we don't agree that a transfer of Well No. 1
18 was required by the Commission. I will address Mr. Taylor's contrary view in the
19 next section of my testimony.

20 **Q. WHO OPERATES ALL OF THESE WELLS?**

21 A. ICR and its system operators do. Initially, TRGC was to control and operate the
22 wells, however, over time ICR took over operation of the wells that were being
23 used to serve its customers. This gives ICR greater control over its water supply
24 sources and has worked so far.

1 **Q. WHY DIDN'T TALKING ROCK JUST AGREE TO TRANSFER**
2 **OWNERSHIP OF ALL THE WELLS TO ICR IN THE FIRST PLACE?**

3 A. It was clear from the outset that the golf course would use the bulk of the water
4 from the wells for a number of years, especially relative to domestic use. So, when
5 we secured the water we needed for our development, we made the decision to
6 retain rights to those water sources sufficient to irrigate our golf course. It was a
7 business decision.

8 But, it was never our intent to leave the water utility short of water or
9 without adequate access to the sources used for residential water utility service. In
10 order to have a successful development, it is in our best interest that ICR has
11 adequate sources of water for residential water utility service. The Well
12 Agreement requires us to transfer Wells 3 and 2 to ICR for domestic use, we have
13 always paid at least our fair share of the costs to operate the wells and the rest of
14 the backbone system, and, as I testified above, in practice we have allowed ICR to
15 operate all three wells to meet the demands of its customers and TRGC.

16 **Q. AND YOU BELIEVE THIS ARRANGEMENT IS FAIR TO ICR AND ITS**
17 **CUSTOMERS?**

18 A. Yes, we think it is fair. ICR agreed to it and must have thought it was fair. The
19 Commission approved the parties' agreements. We paid for all of the needed
20 infrastructure and are paying our fair share of the costs. So, I agree with Mr. Busch
21 who testified on behalf of ICR that the agreements are reasonable. Busch
22 Supplemental Rebuttal Testimony at 7.

23 **Q. BUT DOESN'T THIS ARRANGEMENT VIOLATE THE COMMISSION'S**
24 **ORDER GRANTING THE CC&N?**

25 A. No, I also agree with Mr. Busch on this issue for the reasons explained in more
26 detail in the next section of my testimony. *Id.* at 4. The timing for the transfer of a

1 second well was clearly spelled out in the agreements submitted and approved by
2 the Commission, particularly the First Amendment to the Main Extension
3 Agreement. We hid nothing from the Commission. ICR has been operating all
4 three of the wells, including the two Talking Rock wells. They have a great deal of
5 control over their supply sources, which was the concern the Commission
6 expressed with the prior "wholesale" supply arrangement.

7 Additionally, we already had reserved rights in the water we found for our
8 project and in the use of the wells, and we have been paying our proportionate
9 share of the operating costs. Bourassa Supplemental Rebuttal Testimony at 33.
10 This means that delaying the effect of the transfer of a second well did not harm
11 ICR and its ratepayers in any way, and conferred no additional benefit to TRGC.
12 Basically, we've paid the same amount to ICR for the use of water from Well No.
13 2, as we would have paid if we had transferred Well No. 2 to ICR under our
14 contractual arrangements.

15 **V. RESPONSE TO TESTIMONY BY DAYNE TAYLOR AND ACC STAFF**

16 **Q. HAVE YOU REVIEWED THE FILINGS IN THIS CASE MADE BY STAFF**
17 **AND MR. TAYLOR?**

18 A. I have reviewed these filings focusing primarily on issues that implicate the
19 Talking Rock development, and TRGC and the operation of its golf course. There
20 are a lot of other issues that involve Commission regulation and ratemaking that I
21 do not claim to understand and which do not appear to involve TRGC.

22 **Q. WHAT TESTIMONY AND POSITIONS ADVANCED BY MR. TAYLOR**
23 **AND STAFF ARE YOU RESPONDING TO IN THIS SECTION OF YOUR**
24 **TESTIMONY?**

25 A. I will focus primarily on addressing Mr. Taylor's claim that ICR and TRGC have
26 violated a Commission order and must transfer Well No. 1 immediately to achieve

1 compliance and his claim that TRGC must be treated as a tariffed customer of ICR.
2 I will also address Staff's claim that the Commission requires that two wells be
3 transferred and that TRGC should be treated as a tariffed customer. I will try to
4 keep my response as direct and concise as possible, especially given that there are
5 clearly some technical, ratemaking matters in dispute between the other parties,
6 such as the rate impact of treating TRGC as a customer of ICR. I would only point
7 out that my failure to address specific testimony by Staff's witnesses or Mr. Taylor,
8 or to address an issue in dispute, should not be taken to signal our agreement with
9 such testimony or position.

10 **Q. HOW DO YOU RESPOND TO THE CLAIM BY STAFF AND MR.**
11 **TAYLOR THAT ICR IS IN VIOLATION OF DECISION NO. 64360**
12 **BECAUSE TRGC HAS NOT TRANSFERRED TWO WELLS TO ICR?**

13 **A.** I don't agree. Again, we need to put things into the proper context. At the time of
14 the CC&N proceeding, we were a seller of a wholesale water supply to ICR so it
15 could serve the residents of Talking Rock. After the decision and in response to it,
16 we changed direction substantially and transferred two wells to ICR, one
17 immediately and one effective when the 800th house received service. The Well
18 Agreement refers collectively in its language and effect to the transfer of two wells.
19 *See, e.g.,* Well Agreement at § 4. ICR gave both the Well Agreement and the
20 companion amended extension agreement to the Commission and received
21 approval of the transaction in September, 2003. In October, 2003, we transferred
22 Well No. 3 to ICR, as provided in the agreements. After that, every one went about
23 their business until Mr. Taylor intervened. It appears to me though that ICR was
24 found to be in compliance twice, once five years ago and a second time in the first
25 chapter of this rate case. *See* Staff Engineering Report, Exhibit JWL, at page 7.

1 The very recent claim by Mr. Taylor and modified filings by Staff are the only
2 allegation of non-compliance.

3 **Q. BUT DOESN'T THAT MEAN YOU LEFT ICR WITHOUT A BACK-UP**
4 **WATER SUPPLY?**

5 A. No, Mr. Taylor is incorrect. Taylor Surrebuttal Testimony at 2, 5. First, the wells
6 we drilled only serve Talking Rock. Well Agreement at § 13. The customers
7 living outside Talking Rock, which include Mr. Taylor, were unaffected. They rely
8 on the same third-party water source ICR had before the agreements with Talking
9 Rock. Second, as I testified above, ICR operates all three wells and has, in fact,
10 used water from any and all of them to serve its domestic needs. To my
11 knowledge, no one in Talking Rock, or anywhere in ICR's CC&N, has been short
12 of water because of the golf course.

13 **Q. HOW DO YOU RESPOND TO MR. TAYLOR'S CLAIM THAT YOU HAVE**
14 **TO TRANSFER WELL NO. 1 TO ICR?**

15 A. Mr. Taylor argues that the Commission could only have meant Well No. 1 because
16 that was the only well in existence at that time. Taylor Surrebuttal at 4. But it was
17 always contemplated that there would be multiple wells drilled in Talking Rock.
18 Decision No. 64360 at 4; Water Purchase Agreement at § 2. Within several
19 months after the Commission's decision, Wells 2 and 3 were drilled. The
20 Commission directed that the wells intended for domestic purposes be transferred
21 to ICR, and I believe it reasonable to conclude that the Commission expected that
22 the wells would provide an adequate supply for the intended customers. The Well
23 Agreement transfers Well 2 and 3 fulfilling that requirement.

1 Q. DO WELLS TWO AND THREE PROVIDE ICR ADEQUATE SUPPLY TO
2 SERVE THE TALKING ROCK PORTION OF ITS CC&N?

3 A. Yes, according to our estimated build out and estimates of water usage, including
4 the recent analysis conducted by our hydrologist.

5 Q. WHAT ABOUT THE CLAIM THAT YOUR FAILURE TO CONVEY THE
6 WELLS IS LEADING TO HIGHER RATE INCREASES?

7 A. Not to my understanding. We have been operating the golf club and paying our
8 pro rata share of operation and maintenance expenses pursuant to the agreements
9 with ICR. My understanding is also that ICR has not had a rate increase in over 13
10 years. Operation and maintenance costs have gone up significantly in that time and
11 those increases would likely necessitate a rate increase.

12 Q. WHAT ABOUT MR. TAYLOR'S CLAIM THAT THE DECISION AND
13 THE MAIN EXTENSION AGREEMENT REQUIRE ICR TO TREAT THE
14 GOLF COURSE AS A CUSTOMER?

15 A. I don't agree that either imposes such a requirement. The Commission decision
16 contains what I suspect will prove to be boilerplate CC&N language that says the
17 utility shall charge its customers in the extension area its existing rates. TRGC is
18 not a customer. The extension agreement likewise contains standard language
19 making the utility's provision of service subject to Commission regulation. Main
20 Extension Agreement at 11. To my knowledge, the Commission does not regulate
21 ICR's provision of wheeling services.

22 In addition to sections 5 of the well agreement which I testified to in the
23 section above, a critical provision of the Commission-approved extension
24 agreement appears to have been ignored. Section 12, entitled *Utility's Obligation*
25 *to Serve*, contains subsection (c), entitled *Water Supply to Golf Course*. In this
26 agreement, the parties recognized the developer's intent to "supply water to the

1 Golf Course for landscape irrigation” and ICR’s “unconditional consent”. *Id.* at
2 10. In fact, the Commission had already acknowledged that ICR would serve the
3 TRGC as a customer only if TRGC requested that service in the future. *See*
4 Decision No. 64360 at 3. Given that the main extension agreement was approved
5 through the Commission’s normal process for approval, and the lack of any
6 evidence that the Commission attempted to order the developer and golf course to
7 abrogate their legal and contractual rights, Mr. Taylor’s claims do not appear
8 correct to me.

9 Rather, it is our belief, and we believe that belief is supported by the
10 evidence, that Talking Rock and TRGC retained the legal right to irrigate the golf
11 course with water from their own wells and from wells conveyed to ICR, that these
12 rights were set out in the agreement agreed to by the parties and approved by the
13 Commission, and that this arrangement is not in any way improper or illegal or
14 otherwise harmful to ICR or its residential customers.

15 **Q. WHAT HARM WOULD RESULT FROM MR. TAYLOR’S**
16 **RECOMMENDED CANCELLATION OF THE CC&N FOR TALKING**
17 **ROCK?**

18 A. I don’t believe it would impact TRGC’s rights to use water from any of the wells to
19 irrigate the golf course. But it would be contrary to the interests and rights of
20 homeowners and lot purchasers in Talking Rock and likely create additional
21 burden and expense on ICR and its volunteer Board.

22 ...

23 ...

24 ...

25 ...

26 ...

1 **VI. CONCLUSIONS AND RECOMMENDATIONS.**

2 **Q. MR. KRUMWIEDE, IN LIGHT OF YOUR TESTIMONY, WHAT DO YOU**
3 **AND TRGC RECOMMEND THE COMMISSION DO WITH RESPECT TO**
4 **THE GOLF COURSE?**

5 A. Respectfully, I urge the Commission to respect the legal and contractual rights of
6 TRGC and its affiliates to continue to use water from the Talking Rock wells to
7 irrigate the golf course. Doing so does not harm ICR or any of its other ratepayers,
8 in fact, based on the testimony submitted by ICR, and the evidence in my
9 testimony and that we will present in this case, I believe that the Commission will
10 be able to conclude that the wheeling arrangement between TRGC and ICR is
11 beneficial to ICR and in the public interest.

12 **Q. IS TRGC WILLING TO WORK WITH ICR AND ANY OF THE OTHER**
13 **PARTIES TO ADDRESS THE CONCERNS THAT HAVE BEEN RAISED**
14 **ABOUT THE WHEELING ARRANGEMENT?**

15 A. Yes, we have done so already and are willing to continue. Unfortunately, however,
16 nothing definitive was accomplished before the deadline for filing this testimony.

17 **Q. DOES THAT CONCLUDE YOUR TESTIMONY, MR. KRUMWIEDE?**

18 A. Yes, however, I wish to reiterate that my silence on something addressed in the
19 testimony of another party should not be taken as TRGC's consent.
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